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SUBJECT: PRC/LATIN AMERICA: CHINESE ECONOMIC INTERESTS
GROWING, BUT WILL NOT TRUMP U.S.-PRC TIES, SAYS PRC EXPERT

REF: BEIJING 989

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.4
(B/D).

¶11. (C) Summary: Politics, economics, Taiwan and common interests in social development drive China's interest in Latin America, according to a PRC scholar. Notwithstanding China's deepening relationship with Latin America, China will not develop its Latin America connections at the expense of its relationship with the United States. Although publicly the Chinese government claims that it pays equal attention to all Latin American countries, in reality priority is given to the resource rich countries, our contact said. China would like an improved investment climate in Latin America that would allow it to increase its foreign direct investment in the region. China is "very practical" and simply wants access to Latin America's natural resources and export market, though economic and trade conflicts will grow as China increases its trade with Latin America. A lack of cultural and language understanding remains an obstacle in the development of Sino-Latin American relations. End summary.

Key Areas of Interest

¶12. (C) The key drivers behind China's interest in Latin America include politics, economics, Taiwan and social development, Chinese Academy of Social Sciences (CASS) Institute of European Studies Deputy Director Jiang Shixue told PolOff October 23. Politically, China wished to build a new international political paradigm based on the concept of a "Harmonious World," and Latin America could play an important role. Economically, China needed Latin America's abundant natural resources to sustain economic development. With a population of approximately 560 million, the region was also a significant potential export market for manufactured goods. Turning to China's "core interest" of Taiwan, Jiang noted that out of 23 countries in the world that still officially recognized Taiwan, 12 were in Latin America. These Latin American countries were mostly small nations that did not understand the importance of China. Lastly, Jiang said, China and Latin America nations were developing countries that could benefit from each other's knowledge and experience on social and economic progress.

Social Calls

¶13. (C) Deputy Director Jiang commented that although publicly the Chinese government claimed that it paid equal attention to all Latin American countries, in reality

priority was given to the resource rich countries of Brazil, Venezuela, Mexico, Argentina and Peru. In a separate discussion, MFA Latin American and Caribbean Affairs Department Argentina Division Director Fu Xingrong told PolOff September 17 that China valued its relationship with Latin American countries and had worked toward deepening relationships with countries in the region. Fu noted, for example, that Argentine Foreign Minister Jorge Taiana's September 5-8 visit to China was a "routine and normal visit" aimed at promoting future high-level exchanges between the two countries. PRC President Hu Jintao was expected to visit Argentina, Brazil, Chile and Cuba in November, according to Fu.

Trade and Economics

¶4. (C) Increased trade tensions had resulted from the increase in Sino-Latin American economic and trade ties, according to Jiang, and were likely to grow as China increased trade with Latin America. Some Latin American countries already complained that China sold cheap goods in exchange for raw materials. Jiang surmised that China would have to change its export structure and sell more value-added goods to address those concerns. China should "sell fewer potato chips and more computer chips," said Jiang.

¶5. (C) China would like to increase its foreign direct investment in the western hemisphere, but Latin America needed to improve its investment climate first, Jiang averred. According to media reports, in August, the China

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National Petroleum Corporation and the China National Offshore Oil Corporation had proposed a \$17-billion deal to buy out the Argentine unit of the Spanish oil giant Repsol YPF. MFA's Fu offered no information on the proposed deal, stating that the topic had not been discussed during FM Taiana's meetings with FM Yang Jiechi or Vice President Xi Jinping.

U.S.-PRC-Latin America: A Balancing Act

¶6. (C) The United States paid too much attention to China's relationship with Latin America, remarked Jiang. The U.S. was China's top foreign policy relationship, and China would not develop its Latin America connections at the expense of relations with the United States. China was "very practical" and simply wanted access to Latin America's natural resources and export market. Jiang admitted that it could be "tricky" for China to balance its U.S. and Latin American relationships, noting, for example, that Venezuelan President Chavez had in the past used his nation's relationship with China to make inflammatory remarks toward the United States. In Jiang's opinion, China would be "smart" to stay away from any dispute the United States might have with Latin American countries.

Confucius Institutes

¶7. (C) The Chinese government had taken steps to increase cultural and civil exchanges with its Latin American neighbors, said MFA's Fu. After the first Confucius Institute in South America was opened in Chile in April 2008, China launched two more Institutes in Argentina in 2009. The institutes would focus on Chinese language and cultural education. Cultural exchanges between China and Latin American countries would become "more and more important" as bilateral relations expanded, and the Confucius Institute was just one example of China's commitment to its Latin America "friends," Fu said.

Nascent Cultural Links Have a Way to Go

¶ 8. (C) CASS Latin America scholar Sun Hongbo shared with PolOff September 9 a CASS survey indicating that a large percentage of PRC citizens thought of Latin America as the "backyard of the United States" and "full of soccer players and beauty queens." Sun said he was not surprised by the survey results as "there is still a long way to go" in the development of cultural understanding between Chinese and the people of Latin America. The interest for Chinese people to learn about Latin culture and language had not developed in the same way as it had for U.S. culture and language, because U.S. pop culture in the form of movies, clothing, fast food and the like had been much more pervasive in China, said Jiang. Jiang, who despite having dedicated the past 30 years of his research to Latin America did not speak Spanish or Portuguese, told PolOff that in the late 1990s there had been less than 20 universities in China that offered Spanish classes; now there were 40-50 universities that offered Spanish as a major or as an elective.

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